

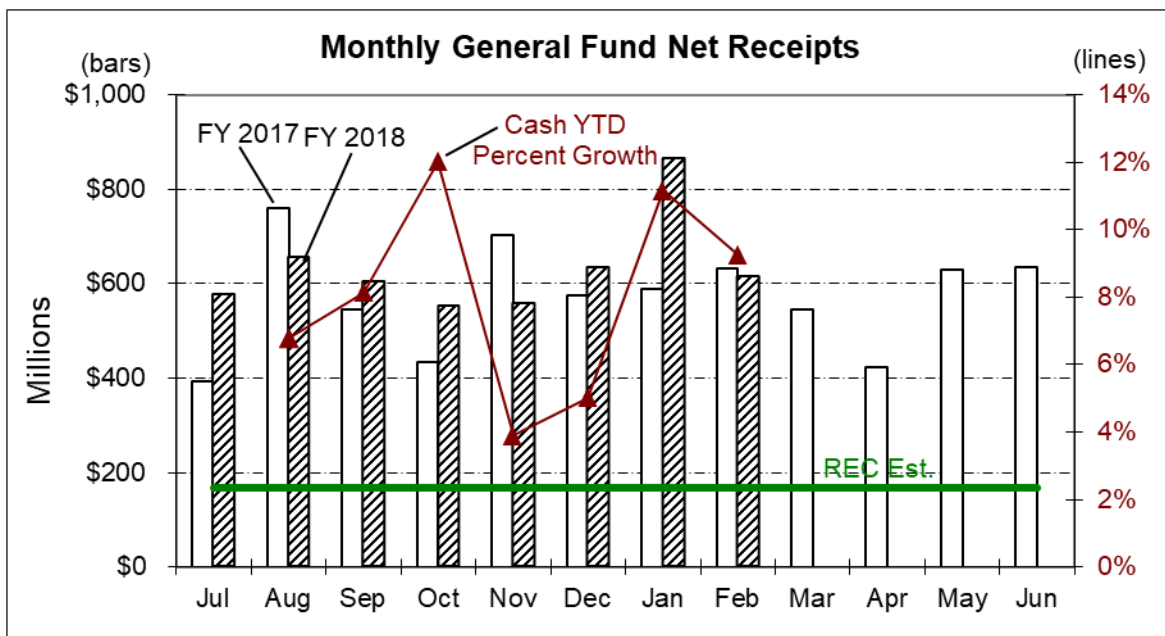
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: March 1, 2018

Monthly General Fund Revenue Receipts Through February 28, 2018

The attached spreadsheet presents FY 2018 General Fund total net receipts with comparable figures for actual FY 2017. The figures can be compared to the FY 2018 estimate of \$7.128 billion set by the Revenue Estimating Conference (REC) on December 11, 2017. The FY 2018 estimate is an increase of \$163.7 million (2.4%) compared to FY 2017 actual receipts (excluding transfers). The next REC meeting is scheduled for March 9, 2018.



Overview of Current Situation

February 2018 net General Fund revenue was \$17.3 million (-2.7%) below the February 2017 revenue level. Cash fiscal year-to-date net receipts are \$428.6 million (9.3%) higher than FY 2017. There are five factors that complicate comparisons of year-to-date and month-to-month growth:

- The first is an accounting change made in April 2017 that schedules deposits of revenue a day earlier than in FY 2017 for withholding and sales/use tax receipts. This benefited January and negatively impacted February.

- The second is that the February 25 due date for withholding and sales/use tax fell on a weekend in 2017, pushing deposits to March 1. This benefits year-to-date comparisons by \$42.0 million.
- The third is a significant increase in personal income tax estimate payments received due to federal tax law changes. The total of estimate payments received in December and January is \$109.4 million higher than FY 2017, an unknown portion of which could be attributed to this law change.
- The fourth is a decrease in personal income tax refunds being issued from December through February. Total refunds issued at this point in the fiscal year total are very low, even by last year's standards of slow refunds being issued, positively and temporarily impacting revenues by \$71.0 million.
- The fifth is a significant increase in sales/use tax refunds being issued this fiscal year. Total refunds issued at this point equal the total of most fiscal years by the close of the year. This is negatively impacting revenues by \$33.6 million.

Major sources of revenue and their contributions to the FY 2018 year-to-date revenue change include:

- Personal income tax (positive \$239.2 million, 8.6%).
- Sales/use tax (positive \$106.7 million, 5.6%).
- Corporate tax (positive \$33.8 million, 12.7%).
- Other taxes (positive \$2.6 million, 1.7%).
- Other receipts (positive \$12.9 million, 6.9%).
- Tax refunds not including school infrastructure refunds (positive \$23.7 million).
- School infrastructure sales/use tax refunds (positive \$10.1 million).

Fiscal Year Growth

Converting receipts from a cash year basis to a fiscal year basis results in the following table for year-to-date net growth in the following receipts categories.

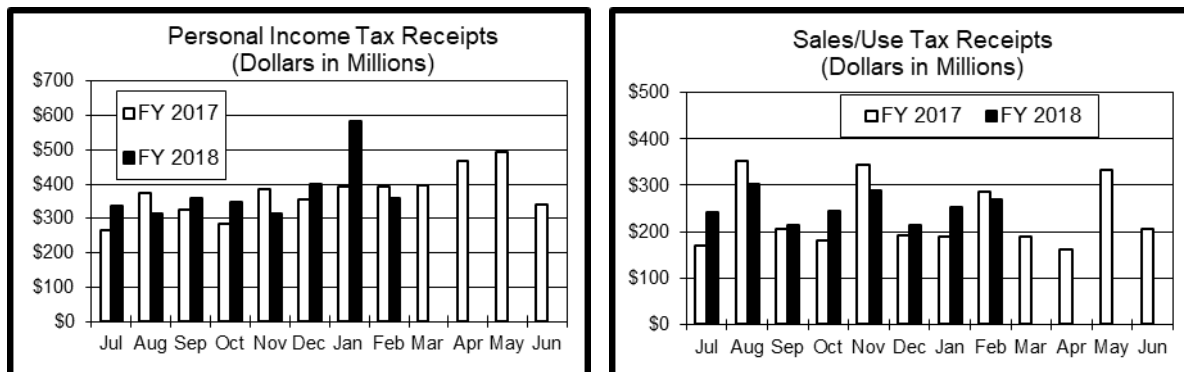
Net General Fund Receipts Through February 28, 2018					
Fiscal Year-to-Date, Gross Receipts Net of Refunds, in Millions					
	FY 2017	FY 2018	\$ Difference	% Difference	
Net Income	\$ 2,331.9	\$ 2,603.7	\$ 271.8	11.7%	
Net Sales/Use	1,397.5	1,453.3	55.8	4.0%	
Net Corporate	152.9	151.1	-1.8	-1.2%	
Net Franchise	13.0	11.4	-1.6	-12.3%	
Net Inheritance	42.1	39.3	-2.8	-6.7%	
Net Insurance & Other Taxes	61.8	56.8	-5.0	-8.1%	
Other Revenue	163.2	173.0	9.8	6.0%	
Net Revenue	\$ 4,162.4	\$ 4,488.6	\$ 326.2	7.8%	

Revenue Categories

Personal Income Tax revenue received in February 2018 totaled \$358.8 million, a decrease of \$35.2 million (-8.9%) compared to February 2017.

The FY 2018 REC income tax estimate of \$4.656 billion represents a projected increase of 4.2% compared to actual FY 2017. Through February 2018, personal income tax receipts

increased \$239.2 million (8.6%). By subcategory, withholding payments increased \$119.4 million (5.1%), estimate payments increased \$105.5 million (31.0%), and payments with returns increased \$14.3 million (18.9%). The following chart compares FY 2017 and FY 2018 monthly income tax receipts from the three personal income tax subcategories.



Sales/Use Tax receipts received in February 2018 totaled \$268.4 million, a decrease of \$18.1 million (-6.3%) compared to February 2017.

The REC estimate for FY 2018 sales/use tax receipts is \$2.918 billion, a projected increase of 3.8% compared to actual FY 2017. Through February 2018, sales/use tax receipts increased \$106.7 million (5.6%). The preceding chart compares FY 2017 and FY 2018 monthly sales/use tax receipts.

Corporate Income Tax receipts received in February 2018 totaled \$9.9 million, a decrease of \$5.5 million (-35.7%) compared to February 2017.

The REC estimate for FY 2018 corporate tax revenue is \$592.8 million, a projected increase of 7.8% compared to actual FY 2017. Through February 2018, corporate income tax receipts increased \$33.8 million (12.7%).

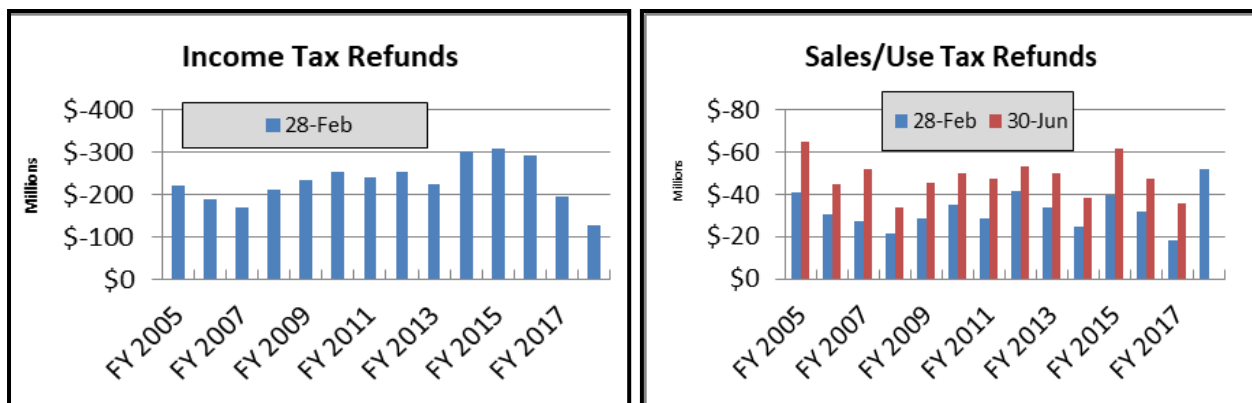
Other Tax receipts received in February 2018 totaled \$9.1 million, a decrease of \$4.7 million (-34.1%) compared to February 2017. This decrease was primarily driven by a \$4.2 million decrease in the inheritance tax.

The REC estimate for FY 2018 other tax revenue is \$263.0 million, a projected decrease of 2.6% compared to actual FY 2017. Through February 2018, other tax receipts increased \$2.6 million (1.7%).

Other Receipts (nontax receipts) received in February 2018 totaled \$28.3 million, an increase of \$3.8 million (15.5%) compared to February 2017.

The REC estimate for FY 2018 other receipts revenue is \$293.6 million, a projected decrease of 5.3% compared to actual FY 2017. Through February 2018, other receipts increased \$12.9 million (6.9%).

Tax Refunds issued in February 2018 totaled \$25.7 million, a decrease of \$42.4 million compared to February 2017. In addition to regular refunds, school infrastructure refunds totaled \$34.4 million, a decrease of \$0.2 million compared to February 2017. The following charts have year-to-date personal income tax and sales/use tax refunds issued.

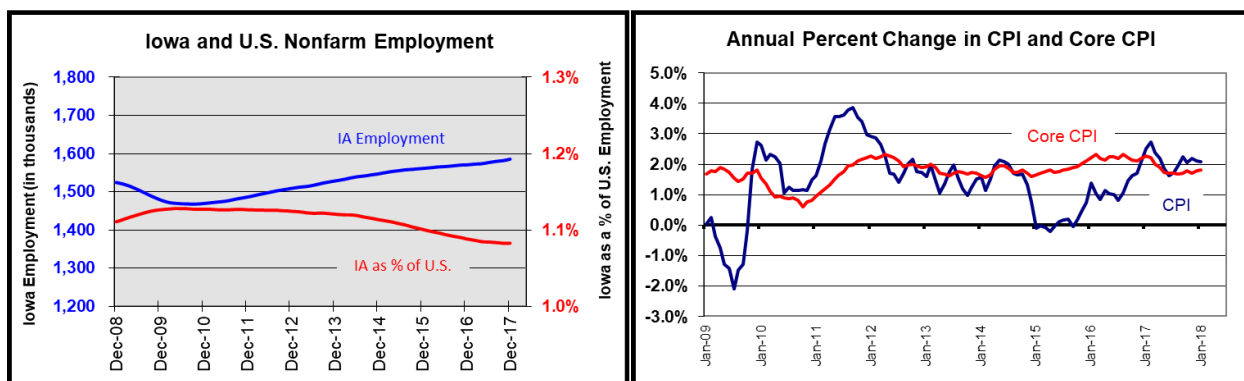


Status of the Economy

Iowa nonfarm employment was reported at 1,603,600 for the month of December 2017 (not seasonally-adjusted), 26,900 (1.7%) higher than December 2016.

Iowa's 12-month average nonfarm employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, which was 47,700 above the peak reached prior to the previous recession (January 2001). The current 12-month average reading is now 1,585,500, resulting in an annual average Iowa nonfarm employment level that is 59,100 above the October 2008 peak.

The red line on the employment chart presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010. Iowa's percent of U.S. employment is currently at its lowest level since September 1987, but has grown over the last three months.



The Consumer Price Index (CPI) through January 2018 was 247.9 (1983/84=100). Consumer prices increased 0.5% in January (not seasonally-adjusted) and the annual rate of inflation is 2.1%, no change from the previous month's level.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.4% in January 2018, and increased 1.8% year-over-year. This is the tenth month the core inflation

rate has been below 2.0% since November 2015. For the two components excluded from the core rate, energy prices are up 5.5% year-over-year and food prices are up 1.6%.

Further information can be found on the Fiscal Services Division webpages related to [State General Fund Daily Receipts](#) and other [Iowa Economic Trends](#).

GENERAL FUND RECEIPTS FY 2018 vs. FY 2017 July 1 through February 28 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated using rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 2017 Actual Compared to FY 2018 REC Estimate		
	FY 2017	FY 2018	Year-to-Date % Change	February % Change	FY 2017 Actual	FY 2018 Estimated	Projected % Change
Personal Income Tax	\$ 2,774.0	\$ 3,013.2	8.6%	-8.9%	\$ 4,469.0	\$ 4,655.7	4.2%
Sales/Use Tax	1,920.4	2,027.1	5.6%	-6.3%	2,812.3	2,917.9	3.8%
Corporate Income Tax	265.2	299.0	12.7%	-35.7%	549.7	592.8	7.8%
Inheritance Tax	58.0	56.0	-3.4%	-47.2%	86.1	88.8	3.1%
Insurance Premium Tax	57.3	58.1	1.4%	-11.1%	114.8	107.9	-6.0%
Beer/Liquor Tax	9.5	9.3	-2.1%	0.0%	14.0	14.1	0.7%
Franchise Tax	28.8	32.7	13.5%	-25.0%	53.8	50.9	-5.4%
Miscellaneous Tax	0.5	0.6	20.0%	0.0%	1.4	1.3	-7.1%
Total Gross Taxes	\$ 5,113.9	\$ 5,496.0	7.5%	-9.0%	\$ 8,101.1	\$ 8,429.4	4.1%
Institutional Payments	\$ 6.9	\$ 8.3	20.3%	54.5%	\$ 11.5	\$ 9.1	-20.9%
Liquor Profits	77.0	77.4	0.5%	16.3%	116.0	116.1	0.1%
Interest	1.6	2.2	37.5%	100.0%	2.3	2.0	-13.0%
Fees	16.0	18.3	14.4%	26.2%	25.4	25.2	-0.8%
Judicial Revenue	51.9	54.1	4.2%	6.8%	94.3	97.4	3.3%
Miscellaneous Receipts	32.4	38.4	18.5%	0.0%	60.6	43.8	-27.7%
TOTAL GROSS RECEIPTS	\$ 5,299.9	\$ 5,694.6	7.4%	-8.2%	\$ 8,411.2	\$ 8,723.0	3.7%
Accrued Revenue — Net					73.5	-13.3	
Tax Refunds *	-351.1	-327.4	-6.8%	-62.3%	-1,059.8	-1,108.5	4.6%
School Infrast. Refunds *	-321.7	-311.6	-3.1%	-0.6%	-460.4	-473.0	2.7%
TOTAL NET RECEIPTS	\$ 4,627.0	\$ 5,055.6	9.3%	-2.7%	\$ 6,964.5	\$ 7,128.2	2.4%
* For the Year-to-Date columns, refunds are presented on a cash basis. For FY 2017 Actual and FY 2018 Estimate, refunds are presented on a fiscal year basis. The FY 2017 column is final.							